4.8%

-4.4%

21 June 2012

# SEG International ("SEG")

# Listing status remains status quo

### News

- As of 20th of June, the acceptance level for the unconditional take-over Offer by Pinnacle Heritage Solutions S/B stood at **66.45%** and **69.01%** for SEG ordinary shares & warrants respectively.
- Note that the acceptance period for the Offer has expired yesterday.
- To recap, Pinnacle Heritage Solutions S/B had tabled a cash offer price of RM1.714 and RM1.214 per SEG Share and Warrant respectively on 25 April 2012.

### **Comments**

- The lacklustre response from the minority shareholders seems to echo our view of the unattractive offer price.
- Based on the above uninspiring acceptance level, SEG's listing status is likely to remain unchanged.

### **Outlook**

It remains bright underpinned by more new programmes to be introduced within this year (20-30 programmes) particularly from an increasing number of SEG University College's own homegrown programmes (e.g. medical science), which enjoy higher margins compared to other programmes.

## **Forecast**

FY12-FY13E forecasts remain unchanged.

# Rating

OUTPERFORM rating remains unchanged.

### **Valuation**

Maintaining our SEG's fair value of RM2.19 based on a targeted FY12 PER of 12.5x (+1SD).

## Risks

A slowdown in student enrolments.

# **OUTPERFORM** ↔

Price: RM1.72
Target Price: RM2.19

Shar	e Pr	ice Pe	rforma	псе			
2.40							
2.20							
2.00	$\mathcal{N}_{\mathbf{L}}$	<b>N</b>	1	سم	n.h.		
1.80		hay	للمها	٠,	که می از	mr_	~~~
1.60							
1.40							
Jur	1-11	Aug-11	Oct-11	Dec-11	Feb-12	Apr-12	Jun-12
KLCI						1,6	04.39

### **Stock Information**

YTD stock price chg

YTD KLCI cha

Bloomberg Ticker	SYS MK Equity
Market Cap (RM m)	1,140.9
Issued shares	663.3
52-week range (H)	2.09
52-week range (L)	1.65
3-mth avg daily vol:	985,925
Free Float	35%
Beta	0.8

### **Major Shareholders**

35.8%
24.0%
5.0%

# **Summary Earnings Table**

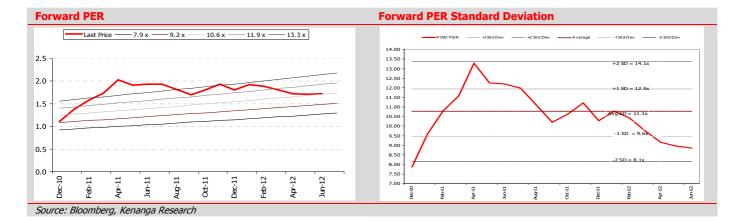
FYE Dec (RM m)	2011A	2012E	2013E
Turnover	278.3	333.0	373.8
EBIT	66.2	99.6	120.0
PBT	88.2	128.9	156.8
Net Profit (NP)	72.2	104.4	127.0
Consensus (NP)	-	97.0	119.5
Earnings Revision	-	-	-
EPS (sen)	13.6	17.5	21.3
EPS growth (%)	53%	29%	22%
DPS (sen)	8.2	8.8	10.6
PER	12.7	9.8	8.1
	Net	Net	Net
Net Gearing (x)	Cash	Cash	Cash
Dividend Yield (%)	4.8%	5.1%	6.2%

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PP7004/02/2013(031762) KENANGA RESEARCH

SEG International Berhad 21 June 2012

income Statemen	Income Statement					Financial Data & Ratios					
FY Dec (RM m)	2009A	2010A	2011A	2012E	2013E	FY Dec (RM m)	2009A	2010A	2011A	2012E	2013
Revenue	166.4	217.6	278.3	333.0	373.8	Growth					
EBITDA	10.6	44.0	75.0	110.1	131.8	Turnover (%)	30.6%	30.8%	27.9%	19.6%	12.3
Depreciation	6.1	7.4	8.8	10.5	11.8	EBITDA (%)	90.2%	316.4%	70.3%	46.9%	19.7
Operating Profit	4.4	36.7	66.2	99.6	120.0	Operating Profit (%)	1386.9%	727.9%	80.4%	50.5%	20.5
Other Income	11.9	18.9	22.8	29.6	37.0	PBT (%)	47.8%	271.9%	62.4%	46.1%	21.6
Interest Exp	1.7	1.2	0.7	0.3	0.2	Net Profit (%)	39.9%	322.3%	67.0%	44.6%	21.6
Associate	0.0	0.0	0.0	0.0	0.0						
Exceptional Items	-1.0	0.0	0.0	0.0	0.0	Profitability (%)					
PBT	14.6	54.3	88.2	128.9	156.8	EBITDA Margin	6.4%	20.2%	26.9%	33.1%	35.3
Taxation	4.4	11.1	16.0	24.5	29.8	Operating Margin	2.7%	16.9%	23.8%	29.9%	32.1
Minority Interest	0.0	0.0	0.0	0.0	0.0	PBT Margin	8.8%	25.0%	31.7%	38.7%	41.9
Net Profit	10.2	43.2	72.2	104.4	127.0	Core Net Margin	6.2%	19.9%	25.9%	31.4%	34.0
Core Net Profit	10.2	43.2	72.2	104.4	127.0	Effective Tax Rate	29.9%	20.4%	18.1%	19.0%	19.0
						ROA	4.7%	16.4%	24.9%	30.3%	30.8
Balance Sheet						ROE	6.0%	21.2%	39.1%	44.1%	42.3
FY Dec (RM m)	2009A	2010A	2011A	2012E	2013E						
Fixed Assets	91.4	100.1	111.6	134.4	159.9	DuPont Analysis					
Intangible Assets	27.8	27.7	28.0	28.0	28.0	Net Margin (%)	6.2%	19.9%	25.9%	31.4%	34.0
Other FA	15.3	13.1	8.6	8.6	8.6	Assets Turnover (x)	0.8x	0.8x	1.0x	1.0x	0.9
Inventories	0.0	0.0	0.0	0.0	0.0	Leverage Factor (x)	1.3x	1.3x	1.6x	1.5x	1.4
Receivables	40.1	37.6	47.1	56.4	63.3	ROE (%)	6.0%	21.2%	39.1%	44.1%	42.3
Other CA	7.6	5.8	7.6	11.6	14.1						
Cash	36.9	78.8	87.2	105.1	138.5	Leverage					
Total Assets	219.1	263.0	290.1	344.1	412.5	Debt/Asset (x)	0.1	0.1	0.0	0.0	0.0
						Debt/Equity (x)	0.8	0.8	0.6	0.7	0.7
Payables	28.0	38.6	37.9	40.3	43.3	Net Cash/(Debt)	-12.2	19.3	-18.4	-2.3	26.
ST Borrowings	6.1	7.2	3.7	0.0	0.0	Net Debt/Equity (x)	-0.1	0.1	-0.1	0.0	0.1
Other ST Liability	0.6	0.5	54.7	55.4	55.9						
LT Borrowings	12.5	10.8	5.0	5.0	5.0	Valuations					
Other LT Liability	1.9	2.5	4.3	6.6	8.0	EPS (sen)	2.1	8.9	13.6	17.5	21.
Minorities Int.	0.8	0.9	0.8	0.8	0.8	GDPS (sen)	0.4	0.5	8.2	8.8	10.
Net Assets	170.0	203.5	184.5	236.7	300.2	NTA (RM)	1.6	1.4	1.1	1.5	1.9
						PER (x)	81.0	19.4	12.7	9.8	8.1
Share Capital	89.1	125.6	139.7	139.7	139.7	Gross Div. Yield (%)	0.2%	0.3%	4.8%	5.1%	6.29
Reserves	80.1	77.0	44.1	96.3	159.8	P/NTA (x)	1.1	1.2	1.5	1.2	0.9
Equity	170.0	203.5	184.5	236.7	300.2	EV/EBITDA (x)	76.7	17.7	11.2	8.4	6.8
Cashflow Stateme	ent										
FY Dec (RM m)	2009A	2010A	2011A	2012E	2013E						
Operating CF	36.9	75.1	84.5	107.2	134.3						
Investing CF	(11.5)	(8.7)	(10.4)	(33.3)	(37.4)						
Financing CF	(27.9)	(14.9)	(50.4)	(55.9)	(63.5)						
Change In Cash	(2.6)	51.6	23.7	17.9	33.4						
Free CF	25.4	66.5	74.1	73.9	96.9						



Page 2 of 3 KENANGA RESEARCH

### Stock Ratings are defined as follows:

### **Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10% (an approximation to the

5-year annualised Total Return of FBMKLCI of 10.2%).

MARKET PERFORM: A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.

UNDERPERFORM: A particular stock's Expected Total Return is LESS than 3% (an approximation to the

12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

### Sector Recommendations\*\*\*

OVERWEIGHT: A particular stock's Expected Total Return is MORE than 10% (an approximation to the

5-year annualised Total Return of FBMKLCI of 10.2%).

NEUTRAL : A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.

UNDERWEIGHT : A particular stock's Expected Total Return is LESS than 3% (an approximation to the

12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.

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Page 3 of 3 KENANGA RESEARCH